THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI EDUARDO FALEIRO): (a) The plants of HFC are located at Barauni (Bihar), Namrup (Assam) and Durgapur (West Bengal). There are three plants (Namrup-I, II & III) at Namrup. Besides, the company also owns a fertilizer project at Haldia (West Bengal).

(b) At present, the Barauni plant is functioning. Durgapur-plant is under shut down for undertaking maintenance jobs. Namrup-I plant is under shut down since July, 1992 due to unsafe conditions of building structures and equipment support. Start-up activities as Namrup-II plant are under progress. Namrup-III plant is also under shut down for maintenance jobs. The Haldia project, which was mechanically completed in November, 1979, could not be made commercail operational due to repeated equipment breakdowns during its commissioning. The commissioning of Haldia project had to be finally suspended by the Government in October, 1986.

(c) Besides Government funding for repairs/replacements in the plants and setting up of captive power plants in most of the units, Government has also been providing financial support to HFC, to the extent possible, for arranging input supplies. A budgetary support of Rs.81.25 crores has been provided for HFC during the current financial year.

(d) The details of plant-wise installed capacity as well as annual production is given below:

('000 MT)

Name of the plant	Product	Annual installed capacity	Actual annual production		
			1991-92	1992-93	1993-94
Barauni	Urea	330	73.47	105.18	22.02
Durgapur	Urea	330	108.50	74.38	40.87
Namrup-I	Ammonium Sulphate	100	0.33	0.84	.
Namrup-II	Urea	330	77.81	50.48	7.24
Namrup-III	Urea	385	196.00	246.55	182.60

(e) The main reasons for low capacity utilisation are technological deficiencies, inadequacies in systems designs, frequent equipment breakdown, ageing of plants, power shortages etc.

(f) The details of the losses suffered by HFC during the last three years are given below:

Year	Loss (Rs. Crores)
1991-92	330.53
1992-93	349.44
1993-94	372.95 (Provisional)

Setting up of Joint Venture Fertilizer Project in Oman

2284. SHRI RAMDAS AGARWAL: Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that Government have agreed to sign a detailed MOU with the Government of Sultanate of Oman for setting up dollar 819 million joint venture fertilizer project in Oman on 50:50 basis as reported in the 'Financial Express' dated 22nd July, 1994;

(b) if so, the details thereof, indicating names of parties from Indian and Oman sides, equity stakes, terms and conditions

of participation and also indicating whether there is a provision for providing guarantees for loans and investments of the project; and

(c) if not, whether the Government of Sultanate of Oman will provide the sovereign guarantees on all investments and loans to be raised for the project by Indian Companies involved and also whether these companies (Indian) will have the first right on any equity sale?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS and FERTILIZERS (SHRI EDUARDO FALEIRO): (a) to (c) A Memorandum of Understanding was signed on 30-7-1994 in Muscat (Oman) between Government of India Krishak Bharati Cooperative Ltd. (KRIBHCO)/Rashtriya Chemicals & Fertilizers Ltd. (RCF) and Government of Sultanate of Oman/Oman Oil Company.

The MOU envisages preparation of a Detailed Feasibility Report for setting up a joint ventures fertilizer project in Oman based on the following presumptions:—

(i) Capacity of the plant . . . . . 3500 MTPD (ammonia)
4400 MTPD (urea)

(ii) Estimated cost . . . . . US $ 819 Million. In addition, the financing charges would be about US $ 78 million.

(iii) *Financing Pattern :*

Debt : Equity Ratio . . . . . 3 : 1

(iv) *Equity Participation :*

(I) KRIBHCO/RCF (including affiliates) . . . 40%—50%

(II) Oman Oil Company Ltd. (including affiliates and third party investors) . . . . . 40% –50%

(III) Omani Public . . . . . 0% –20%

There is no provision in the MOU whereby the Indian partners or the Government of India or the Government of Sultanate of Oman or the Oman Oil Company shall be obliged to provide financial or other guarantees to the lenders for supporting the project financing.

On behalf of he Government of the Sultanate of Oman, an assurance has been given that all investments by Oman Oil Company will be funded by the Government of the Sultanate of Oman.

As per the MOU, if KRIBHCO|RCF decide to transfer their shareholdings in the Joint Venture Company, except to an affiliate or the Omani public, they will give first right of purchase to the Oman Oil Company. Similarly, Oman Oil Company has to give first right of purchase to KRIBHCO|RCF except for transfer|sale of shares to an affiliate, Omani public or an ammonia buyer.

Elimination of Fertilizer Subsidy

2285. DR. MURLI MANOHAR JOSHI;

SHRI TRILOKI NATH CHATURVEDI;

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that in the Economic Memorandum submitted by Government to IMF, Government had made a commitment that subsidy on fertilizers was to be completely eliminated; if so, to what extent this has been done and by when the subsidy on each category of fertilizer is proposed to be eliminated completely;

(b) whether under the present formula of calculating retention price, the fertilizer units are underestimating their capacities to maximise their profits; if so,